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Results of the Consultation on the Guide to Measuring Global Production

Note by the Secretariat

Summary

This note summarizes the comments on the draft *Guide to Measuring Global Production*. The Secretariat and United Nations Statistics Division carried out the global electronic consultation of the Guide in February-March 2014.

A total of 33 countries and territories, and international organisations replied to the request for comments. There was general support for the recommendations of the Guide and for the proposed future work. Furthermore, the replies highlighted priority areas for further research.

Taking into account the comments received, the Guide to Measuring Global Production will be finalized in the course of 2014. It is planned to be submitted to the CES 2015 plenary session for endorsement.

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I. Introduction

1. The UNECE Task Force (TF) on Global Production was established by the CES Bureau to support the effective implementation of the System of National Accounts, 2008 (2008 SNA) and the Balance of Payments and International Investment Position Manual (BPM6) in respect to global production arrangements. The TF developed a *Guide to Measuring Global Production* that addresses a number of unresolved conceptual issues as well as providing practical guidance on the recording of the activities of global producers in national and international accounts.

2. The CES Bureau reviewed the draft Guide in January 2014 and asked the Secretariat to conduct an interim electronic consultation with all CES members in February-March 2014. The purpose of the consultation was to enable countries to review the draft recommendations, provide feedback on their applicability and usefulness, and prepare additional case studies. The Guide was also circulated by UNSD beyond CES membership to all national statistical offices and relevant international organizations.

3. The Secretariat asked countries and international organisations to use a supplied template for their comments. The template included general questions on the usefulness of the guide, coverage of relevant issues, clarity and coherence of the recommendations and prioritization of future work. It also contained more detailed questions on substantive and technical issues by chapter and requested additional case studies.

4. This note summarizes the comments received in the global consultation and contains a proposal for the finalization of the *Guide to Measuring Global Production*.

II. Summary of comments

5. A total of 33 replies from countries and territories, and international organizations were received in the interim consultation. Twenty five of them used the standard template and the rest provided general feedback. Responses were provided by: Armenia, Belarus, Czech Republic, China / Hong Kong SAR, China / Macao SAR, France, Ireland, Israel, Italy, Kuwait, Latvia, Lithuania, Mexico, Netherlands, Norway, Philippines, Poland, Romania, Russian Federation, Slovakia, Slovenia, South Sudan, Sweden, Switzerland, The former Yugoslav Republic of Macedonia, Turkey, United States, Uruguay, Eurasian Economic Commission, Eurostat, United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) and United Nations Statistics Institute for Asia and the Pacific (UNSIAP). The TF would like to thank all countries and organizations for their inputs.

A. General comments

6. All responding countries and organisations considered the Guide useful and comprehensive and acknowledged its value for elaborating a programme for further work. The main recommendations were considered clear and coherent. The most commonly commented issues were related to factoryless goods producers (FGP), defining economic and legal ownership, branding, data collection and exchange, extending the practical examples and adapting the recommendations to the circumstances of developing countries. Further, three additional case studies were proposed by countries: Czech Republic, Philippines and Sweden.

B. Main issues

7. A brief overview of the main issues raised in the consultation and the response of the TF is provided below.

1. Factoryless goods producers

8. The classification of FGP and the recording of their transactions take central place in the comments on the draft Guide. This issue was mentioned in the replies of 12 countries, territories and international organizations (China/Hong Kong SAR, China/Macao SAR, Czech Republic, Ireland, Israel, Italy, Mexico, Poland, Russian Federation, Sweden, United States and UNSIAP).

9. The recommendation of the TF to treat FGP as manufacturers will affect the implementation of the 2008 SNA, BPM6 and requires review of the guidance provided in the ISIC rev.4. There is general support for this recommendation of the TF. At the same time some countries highlight the complexity of this issue and the necessity to align the recommendations across the relevant international manuals. Many countries also point to the need for further research and more precise guidance on identification of FGPs and the recording of their transactions in the accounts.

10. The TF has initiated a consultation on the classification of FGPs with the relevant international experts groups. The Intersecretariat Working Group on National Accounts (ISWGNA) and the Advisory Expert Group (AEG) on National Accounts have supported the proposal of the TF to record FGPs in the manufacturing industry. Further, in November 2013 the ISWGNA submitted a position paper on the industrial classification of FGP for the attention of the Chair of Expert Group on International Statistical Classifications. The response to the position paper and any additional feedback from the Expert Group is important for the finalization of the Guide.

11. In line with the results of the global consultation, the TF is developing further guidance on the scope and recording of the activities of FGPs and on the related issue of branding. The recommendations of the TF, after discussion at the forthcoming May 2014 meeting of the joint UNECE/Eurostat/OECD Group of Experts on National Accounts (hereafter May Meeting) and the September 2014 meeting of the AEG, will be incorporated in the Guide.

2. Data issues

12. A substantial number of comments focus on data issues and the need to extend the practical guidance on compilation techniques and recommended data sources. Such remarks are made in 13 responses (China/Hong Kong SAR, China/Macao SAR, Ireland, Israel, Mexico, Philippines, Poland, Romania, Russian Federation, The former Yugoslav Republic of Macedonia, Turkey, UNESCAP and UNSIAP). The respondents highlight that certain data sources recommended in the Guide are not currently available in some countries. Extension of statistical surveys is needed and this will increase the response burden. New ways of collecting data must be explored (big data, internal accounting data, other administrative data sources, etc.). Therefore, international co-ordination and data exchange is an important area that needs to be addressed in the future. The confidentiality issues central to any regime of data exchange should also be discussed at an international level.

13. The TF will discuss how to address the concerns raised by countries and will reflect them in the recommendations or in the proposals for further work. Additional practical examples will be included on the basis of the new country case studies and the discussion at the session on Global Production at the May 2014 meeting. A future review of the guidance

and collection of supplementary case studies will be included in the proposals for future work in chapter 11 of the Guide.

3. Legal and economic ownership

14. Legal and economic ownership and especially economic ownership over intellectual property products (IPP) is mentioned as a difficult area by China/Hong Kong SAR, Eurostat, Ireland and Mexico. The guide should highlight the importance of analysing ownership issues in the framework of the large and complex cases units established by some NSOs. Consistent treatment of all complex cases would help to follow the principle of economic ownership to the extent possible.

15. The TF intends to present and discuss the main recommendations for dealing with economic ownership over IPPs to the May 2014 meeting and to the AEG. The TF will further elaborate on the guidance on economic ownership based on the feedback from these two meetings and the comments received in the global consultation.

4. Adapting the recommendations to country specific needs

16. A major challenge mentioned by about half of the respondents is the fact that countries are currently at very different levels of implementation of the 2008 SNA. Some responses (South Sudan, UNESCAP and UNSIAP) point to the need of adapting the recommendations to the circumstances of developing countries and presenting good practical case studies from the developing world in order to achieve global outreach. Explicitly mentioned areas of interest to the developing countries are cross border trade, illegal activities, ownership and exploitation of natural resources (specific issues related to the changes in the production process in agriculture and fishing) and donors aid for non-profit institutions serving households (NPISH).

17. The TF made great efforts to collect country practices and case studies from various regions of the world. Although many countries highlighted the need for more practically oriented examples, only a few were able to provide case studies. The main reason is the complexity of the issues and the fact that countries are still at early stages of implementation of the international manuals. The TF will bring the issues related to developing countries to the attention of the Friends of the Chair (FOC) group on international trade and economic globalization because of its global outreach.

5. Other issues

18. Some respondents provided more detailed substantive and editorial comments on individual chapters. Most of the comments concerned chapters 2 (Typology of Global Production Arrangements), 3 (Principles of economic ownership inside the multinational enterprise) and 5 (Measuring global production: data sources and compilation challenges), but issues from other chapters were also raised. All these comments will be reviewed by the TF in the following month and reflected in the Guide.

III. Priorities for further work

19. All countries and international organisations agreed with the overall proposals for further work, as presented in the draft Guide.

20. **Conceptual issues.** The respondents recognize the important progress made in a number of conceptual issues. They see the need to expand the research in two main areas: global production arrangements related to services (particularly merchanting of services)

and remaining open issues related to FGP. Other topics mentioned by countries are the distinction between goods and services, branding and transfer pricing.

21. **Data issues**. Countries identify a need for developing of a framework for collecting and sharing of data between countries, including the data confidentiality legal framework that constrains this data sharing. This work should be facilitated by international organizations.

22. **Practical guidance**. A third area of future work is the extension of the practical guidance and collecting supplementary country practices and case studies. The Guide should be reviewed in 5 to 7 years from now to reflect the accumulated implementation experience and the changing environment for compilation of national accounts. Respondents express a need for an expert meeting where to exchange practical experience on data collection, compilation methods, organizational issues and the involvement and operation of LCUs.

IV. Proposal for finalization of the Guide

23. The TF will revise the Guide in line with the comments and proposals in section II. Due to the limited time after the end of the consultation, the TF did not succeed in reviewing all the detailed comments. This will be done in the following month and a decision on how to reflect them in the Guide will be taken at the next face-to-face meeting of the TF on 9 May. In the finalization of the Guide the TF will also take into account the feedback from the session on Global Production at the May 2014 meeting and from the September 2014 meeting of the AEG.

24. One of the main messages from the consultation is the request to provide clear guidance on the treatment of factoryless goods producers, which will have a significant impact on the implementation of the 2008 SNA. The TF recognizes the need to elaborate this part of the Guide and has already drafted more detailed recommendations on the recording of the transactions of FGP. At the same time it is important to advance the consultation on the industrial classification of FGP with the Expert Group on International Statistical Classifications in order to arrive on consistent guidance on this issue.

25. Many countries pointed out the need for more practical examples and presentation of country practices. However, due to the complex challenges related to global production arrangements very few are able to provide case studies at this stage. This is why an update of the Guide in 5 to 7 years from now will be envisaged to reflect emerging country practices.

26. After incorporating the comments made the Guide will be circulated again for final consultation. It is planned to be submitted to the CES 2015 plenary session for endorsement.